

**Managed Risk Medical Insurance Board
May 17, 2006**

Board Members Present: Cliff Allenby, Areta Crowell, Ph.D., Richard Figueroa, Virginia Gotlieb, M.P.H.

Ex Officio Members Present: Jack Campana, Ed Heidig

Staff Present: Lesley Cummings, Denise Arend, Laura Rosenthal, Vallita Lewis, Janette Lopez, Tom Williams, Dennis Gilliam, Thien Lam, Carolyn Tagupa, Sarah Soto-Taylor, Mary Anne Terranova, JoAnne French, Jamie Yang

Chairman Allenby called the meeting to order and recessed it for executive session. At the conclusion of executive session, the meeting was reconvened.

REVIEW AND APPROVAL OF MINUTES OF MARCH, 22, 2006 MEETING

A motion was made and unanimously passed to approve the minutes of the March 22, 2006, meeting.

Note: the following item was taken out of sequence.

MAJOR RISK MEDICAL INSURANCE PROGRAM (MRMIP) UPDATE

Blue Cross Proposal to Restructure MRMIP

Ms. Cummings announced that the Guaranteed Issue Pilot (GIP) project (AB 1401) for long-term MRMIP subscribers sunsets September 2007, and that a waiting list will be re-established effective tomorrow (May 18). She introduced Ann-Louise Kuhns, Regional Vice President, and Bryan Curley, Staff Vice President and Actuary, from Blue Cross of California (BC), who were in attendance to present a proposal BC has developed to expand coverage of the medically uninsurable.

Ms. Kuhns explained that BC is committed to MRMIP. It has been both the administrator of MRMIP as well as a participating plan since its inception in 1991. BC is faced with the challenge of bearing a disproportionate share of the losses in the GIP. This is because BC is familiar to MRMIP subscribers who tend to remain with BC when having to elect their guaranteed issue coverage and because BC is the only PPO available in the guaranteed issue market. In 2005, BC spent \$20 million to subsidize coverage in GIP (86% of carrier losses). These losses are passed along to purchasers.

BC is proposing that California replace the GIP with a single, statewide risk pool similar to those operated in 34 other states. Key elements of BC's proposal are:

- Eliminate the GIP and serve all medically uninsurable persons through MRMIP. There would be no enrollment cap.
- Require persons with HIPAA coverage to obtain it through MRMIP.
- Finance the cost of coverage above the \$ 40 million in state funding with an assessment on insurers in all markets (individual, small employer, large group, reinsurers and third party administrators). Offset some of the costs to insurers with a tax credit for a portion of the assessment.
- Increase the \$75,000 annual benefit cap with a \$200,000 annual cap and a \$1 million lifetime cap.
- Require MRMIP carriers to provide disease management.

Ms. Cummings clarified that MRMIP does not exclude persons eligible for HIPAA. They have a right to guaranteed coverage from insurers, but can choose to come into MRMIP (if it is open for enrollment). Ms. Kuhns stated the need to make changes in MRMIP's structure so that it can qualify for federal funding for high risk pools. This requires increasing the benefit cap and may also require eliminating the enrollment cap. Dr. Crowell asked about the effect on subscriber premiums of increasing the benefit cap. Mr. Curley estimated that MRMIP premiums would increase by 8% and GIP premiums would decrease by 2%.

There was considerable discussion among the Board, BC and MRMIB staff about making the program affordable to both carriers and subscribers, benefits being comparable to the private market, cost containment, outreach, sustainable funding, the self-insured, health savings plans, and the critical need for disease management. The Board asked that BC provide further information regarding the development of standardized guidelines for disease management and research results assessing the cost containment results of disease and case management.

Ms. Kuhns reiterated that the ultimate goal of the proposal is to create a high risk pool for all who qualify without a waiting list. The proposal does not count on receipt of federal funds for financing, but BC feels the state should try to obtain the federal funding to the greatest extent possible. There was discussion between the Board and BC concerning the complexities of the funding structure. Ms. Gottlieb inquired about the rationale for limiting HIPAA eligibles to pool coverage. Ms. Kuhn replied that under existing law HIPAA eligibles have more choice of carriers but the coverage they obtain is less suitable to a population with high medical need. Limiting their choice to the pool would mean fewer carrier choices but more comprehensive coverage. Ms. Kuhns also noted that conversion coverage could also be provided through the pool, but this not presently a part of the BC proposal.

The Chairman asked for public comment. Deborah Kelch, staff to Assembly Member Chan, indicated that Ms. Chan has introduced a bill, AB 1971, addressing the issue. She said that Assembly Member Chan is excited to be looking at options to create an uncapped pool, like that in most other states. She is open to all ideas and looks forward to working with all stakeholders in developing the legislation. Ms. Cummings thanked Assembly Member Chan and Ms. Kelch for their hard work and involvement in the issue, noting that addressing the needs of the medically uninsurable

Chairman Allenby acknowledged that a lot of discussion is still needed, and thanked Blue Cross for getting the discussion started.

STATE BUDGET UPDATE

Lesley Cummings reported that in the May Revision, the Governor proposed \$23 million in interim assistance for Children's Health Initiatives (aka "Healthy Kids") that have had to place children on a waiting list for coverage. There are 18 existing Children's Health Initiatives (CHIs) which serve children not eligible for HFP or Medi-Cal. Fourteen more CHIs are in the developmental stages. Ten of the existing CHIs have waiting lists. The Governor's proposal targets children ages 6 to 18, relying on the First 5 Commissions to provide funding for children ages 5 and under. Ms. Cummings reported that eligibility staff had surveyed existing CHIs to collect information on caseload and waiting lists. She commended Janette Lopez and her staff for the excellent job they did collecting the data quickly. A summary of the survey was provided.

The Assembly has proposed \$40 million for CHIs. However, it calls for a 50/50 match with counties. The Assembly leaves a number of decisions about the allocations up to the Board. The Assembly budget also provides for creation of a state program to replace the local CHIs and serve children ineligible for HFP or Medi-Cal in HFP. The coverage expansion would occur if the tobacco tax initiative on the November ballot fails to pass and would begin on July 1, 2007.

Dr. Crowell asked about the CHI's' estimate of the number of children eligible but not enrolled. Ms. Lopez said the estimates are for children eligible for CHIs, not HFP or Medi-Cal. Ms. Cummings added that it is difficult to obtain an accurate estimate of undocumented, uninsured children because the population has concerns about identifying themselves. That having been said, the 2003 Children's Health Insurance Survey (CHIS) identified 150,000 such children and 157,000 children with incomes above the HFP level of 250% FPL. A copy of an article entitled "Monitoring the Expansion of Children's Health Initiatives in California," prepared by USC's Keck School of Medicine, Division of Community Health, funded by The California Endowment, was provided to the public and the Board.

Tom Williams went on to review other highlights of the Governor's May Revision proposal. Key elements of the proposed 2006-07 budget include:

- HFP's projected enrollment of 868,000 children is fully funded (\$1.027 billion).

- Revision of the CAA Incentive Proposal. Under the May Revise, CAA's would receive an extra \$10 for using the electronic application. Additionally, CAA payment for assistance and AER was increased from \$25-\$50.
- AIM's projected enrollment of 12,211 women is fully funded (\$120.4 million).
- Prop 99 funding for MRMIP remains at \$40 million.
- Support costs associated with assistance to CHIs is \$251,000, including funding for three two-year limited term positions.

Mr. Williams then detailed the actions taken by the legislative sub committees on MRMIB's budget.

STATE LEGISLATION

Legislative Update

This item was skipped due to time constraints.

Analysis of AB 2684

Mary Anne Terranova presented an analysis of AB 2684 (Montanez), which authorizes school districts to use HFP, Medi-Cal, or Healthy Kids coverage to fulfill a requirement that the districts provide medical insurance for children who participate in school athletics. Parents need to be informed of the availability of low-cost or no-cost insurance options in order to prevent their children from having to forego participation in athletic activities due to lack of ability to afford coverage. Because there would be no significant fiscal impact to MRMIB, and AB 2684 would provide additional outreach for HFP and Medi-Cal, staff recommends supporting this legislation.

Hellan Roth Dowden, Teachers for Healthy Kids, provided a hand-out that Los Angeles USD sent to all students showing HFP as an option for qualified families.

FEDERAL LEGISLATIVE UPDATE

Laura Rosenthal gave an update on high risk pool funding. At past meetings, staff reported that because HR 4519 amends the criteria for funding high risk pools, California is much more likely to be eligible for funding. Proposed legislation could provide appropriations through federal fiscal year (FFY) 2010. California has the potential to be funded with \$1 million in seed grant money to make the changes necessary to become a qualified high risk pool. Or, if the Centers for Medicare and Medicaid Services (CMS) determine California is currently qualified, MRMIP could receive between \$4 and \$8 million. CMS has raised the issue that MRMIP's \$75,000 annual benefit cap could prevent it from qualifying as a high risk pool, but it has not made a final determination. MRMIB staff will work with CMS to meet the June 30 deadline to apply for funding. Staff will present for the Board's approval any recommended program changes.

Ms. Rosenthal reported that S 1955 (Enzi) did not receive votes needed for passage and is “dead” for this year. This legislation would have, in essence, preempted many state insurance regulations and substituted federal standards in areas such as association health plans, rating of small group products, benefits, claims review, and other matters.

APPROVAL OF INTERAGENCY AGREEMENTS

Dennis Gilliam asked the Board’s approval of the renewal of interagency agreements for 2006-07 with the California Office of HIPAA Implementation (CalOHI), the California State University Sacramento Foundation, the Health and Human Services Agency, the Department of Health Services Audits and Investigations Program, the State Controller’s Office (SCO), and the Department of Technology Services. A motion was made and unanimously passed to approve the agreements as presented.

APPROVAL OF CONTRACT FOR HIPAA SUPPORT

Mr. Gilliam asked for approval of renewal of the contract with Hubbert Systems for consultation services pertaining to implementation of HIPAA. A motion was made and unanimously passed to approve the contract as presented.

APPROVAL OF SOLICITATION FOR ACTUARY SERVICES

Mr. Gilliam requested the Board’s authorization for staff to carry out a solicitation for a new actuary contract. This solicitation differs from those in the past in that it entertains selection of two contractors. Ms. Gotlieb asked if staff would be determining best overall value. Ms. Cummings replied that a key feature of the evaluation process includes a description of how six assignments would be carried out and what they would cost. Chairman Allenby pointed out that the solicitation documents being presented are in draft and may evolve further before release. A motion was made and unanimously passed to authorize the solicitation.

DELEGATION OF CONTRACTING AUTHORITY TO EXECUTIVE DIRECTOR

Ms. Rosenthal asked for delegation of authority to the Executive Director to approve routine contracts and contract amendments. The Board would maintain responsibility for program-related contracts, extension of certain contracts, contracts/amendments above \$100,000, and interagency agreements above \$200,000. A motion was made and unanimously passed to delegate contracting authority to the Executive Director as presented with the provision that the Board be kept informed of the contracts and amendments entered into.

HEALTHY FAMILIES PROGRAM (HFP) UPDATE

Chairman Allenby acknowledged that John Boyer from MAXIMUS' corporate office in Virginia was present in the audience.

Enrollment and Single Point of Entry (SPE) Reports

Sarah Soto-Taylor reported that there were 757,794 children enrolled in the program as of May 15. She reviewed enrollment data for the month of April. Ms. Soto-Taylor also gave an update on application assistance reimbursements to-date. Dr. Crowell asked why April's reimbursements were so low. Ms. Soto-Taylor said not all payments for April have been made yet.

Administrative Vendor Performance Report

Ms. Soto-Taylor presented the administrative vendor (AV) performance reports for HFP and SPE for the months of March and April. MAXIMUS is the AV for both of these programs. In both months, MAXIMUS met all seven performance standards for HFP and all four performance standards for SPE pursuant to the measures contained in its contract.

Retention Report

Janette Lopez reviewed the retention and disenrollment reports for calendar years 2003 and 2004. 2004 is the year that Maximus began serving as the administrative vendor. She pointed out that the retention rate of 77% in 2004 is a significant improvement from past years. Dr. Crowell thanked the administrative vendor and the health plans for working so hard on this.

Extension of Oral Health Demonstration Projects

Vallita Lewis presented a proposal to the Board to provide continued funding for several oral health demonstration projects. The Oral Health Demonstration Project is a joint project of the First 5 Commission and HFP. First 5 provides state match for the projects and HFP provides federal SCHIP funding. Staff had identified that there will be unspent funds and had worked together with the First 5 staff to develop an expenditure plan for the unspent funds.

The staff proposal consists of

- (1) Approval of two additional months of funding (\$468,000) for existing projects in FY 2005-06;
- (2) Allocation of additional funds (\$82,000) to offset costs for existing projects for unanticipated data collection in 2005-06; and

- (3) Allocation of additional funds (\$498,000) to extend six projects through December 31, 2006. Staff worked with the First 5 Commission to identify the six projects with best practices being recommended. These six projects would not only continue operation until December 2006, but would also document their model for replication by others.

Dr. Crowell asked whether staff will be looking at project outcomes. Ms. Lewis replied that MRMIB has a contract with UCSF to evaluate the projects. A motion was made and unanimously passed to approve the projects with the understanding that MRMIB staff will monitor the outcomes of both the current and new projects and not wait for the results of the UCSF evaluation.

Chairman Allenby acknowledged that Barbara Marquez and staff from the First 5 Commission were in the audience.

Community Provider Plan (CPP) Update

Carolyn Tagupa reported that the CPP designees for 2006-07 had been announced at the March 1 Board meeting for all counties except Ventura, which required an audit. The audit for Ventura County has now been completed. Since Blue Cross EPO's score was 90% compared to Ventura County Health Plan's (VCHP) score of 81%, Blue Cross EPO will replace VCHP as the CPP effective July 1.

Dr. Crowell recalled that a representative for the local health plans had requested changes to the CPP methodology at a prior meeting and asked when staff would be following up on that request. They had suggested using an approach employed in Medi-Cal managed care to give credit for high HEDIS scores. Ms. Cummings replied that representatives of local health plans have provided information on the proposals. Staff still has to analyze the information. Ms. Lewis said staff is in the process of drafting a paper evaluating the pros and cons of the proposal.

ACCESS FOR INFANTS AND MOTHERS (AIM) UPDATE

Enrollment Report

This item was skipped due to time constraints.

AIM Financial Update

Mr. Williams noted that MRMIB had received a \$30 million General Fund loan to cover program costs through March while the prenatal state plan amendment (SPA) was in the process of being approved. CMS approved the SPA on March 23. Staff is working with the Department of General Services accounting staff to claim SCHIP funds and repay the General Fund loan. Staff anticipates completing federal claiming and repayment of the loan by early June.

Approval of AIM Health Plan Contract Amendments for 2006-07 and Approval of Contracts for State-Supported Services

Denise Arend asked for Board approval of the contract amendments for 2006-07 and contracts for state-supported services. Ms. Arend said Blue Cross will now cover Catalina Island. A motion was made and passed, with Dr. Crowell abstaining, approving the contract amendments and contracts for state-supported services as presented.

MAJOR RISK MEDICAL INSURANCE PROGRAM (MRMIP) UPDATE

Enrollment Report

This item was skipped due to time constraints.

Quarterly Fiscal Report

This item was skipped due to time constraints.

Open Enrollment Report

Thien Lam reviewed highlights of the open enrollment transfers and consumer satisfaction survey for MRMIP. This report can be found on the website at www.MRMIB.ca.gov. Satisfaction rates remain at the same levels as 2004: 93% satisfaction with services received from health plans and 94% satisfaction with services received from doctors' offices. Ms. Gotlieb noted that over 10% of subscribers said they could not afford the premiums. Ms. Lam clarified that 10% is the number of subscribers who responded to the survey, versus all subscribers. Mr. Figueroa opined that the volume of work and paper resulting from open enrollment is not justified by the 2% that change plans. He suggested using the CalPERS model of having subscribers request a packet by postcard if they want to change plans.

Enrollment Estimate

Ms. Arend presented the semi-annual enrollment estimate prepared by PricewaterhouseCoopers (PwC). PwC's analysis for that expenditures from the \$40 million in state funds are significantly higher than estimated in the last estimate because of higher than anticipated expenditures in GIP and lower than expected reserve funds. Accordingly, the enrollment limit needs to be immediately reduced from 10,227 to 8,166. This means that the waiting list will have to be instituted immediately. Ms. Cummings emphasized the need to maintain an adequate reserve because GIP expenditures are extremely difficult to estimate. The Board expressed disappointment about the imposition of a waiting list.

PRESENTATION ON MASSACHUSETTS COVERAGE PLAN

Ms. Rosenthal made a presentation on recently enacted legislation in Massachusetts that ensures all residents have health care coverage. The legislation establishes an individual mandate, a mandated small employer fee for employer's not providing coverage, and subsidies for the low income population. A summary of the health reforms prepared by the Massachusetts Governor's Office, and a paper prepared by the Institute for Health Policy Solutions and issued by the California HealthCare Foundation analyzing the applicability to California of the approach taken by Massachusetts' approach were made available.

There was considerable discussion between staff and the Board concerning the various aspects of Massachusetts' plan. It was noted that Massachusetts is in a better position than California is to enact this type of program given its lower number of uninsured, lower number of low income persons and limited number of safety net providers. The Board acknowledged staff for providing an excellent summary of the Massachusetts plan. Ms. Rosenthal acknowledged David Beales for his work on this summary.

There being no further business to come before the Board, the meeting was adjourned.